CREATIVE TAXRELIEFS

Museums and Galleries Exhibition Tax Relief (MGETR)

What is MGETR?

MGETR was introduced in April 2017 to support museums and galleries in developing new exhibitions. MGETR is based on the Film Tax Relief scheme introduced in 2007 and subsequently extended to other creative sectors including High-end and Children's TV, Animation, Video Games, Theatre and Orchestra.

How does MGETR work?

MGETR works by enhancing expenditure incurred in the exhibition process and creates an additional deduction to be set against the surplus or deficit for that exhibition. Where the additional deduction extends or creates a loss, the loss relating to the additional deduction can be surrendered to HMRC for a payable tax credit.

A company qualifies if it:

- ✓ is the primary or secondary exhibition company for the exhibition
- ✓ is a charitable company which maintains a museum or gallery
- ✓ is a company wholly owned by a charity that maintains a museum or gallery
- ✓ Is a company wholly owned by a local authority that maintains a museum or gallery
- ✓ falls under the company tax regime even if they do not currently file company tax returns.

An exhibition will qualify if:

- ✓ the exhibition is a curated display of an organised collection of works (or of a single object or work) considered to be of scientific, historic or cultural interest
- ✓ from the planning stage the exhibition is intended to be open to the general public-it does not need to charge admission
- ✓ at least 25% of the core spend is European Economic Expenditure (EEA).

An exhibition will not qualify if:

- x its main purpose, or one of its main purposes, is to sell anything displayed or to advertise or promote goods or services;
- x it is organised in connection with a competition of any kind;

- x it includes a live performance by any person (except where the performance is merely incidental to the exhibition)

- x any displayed item is alive.

Which expenditure qualifies for enhancement?

Expenditure qualifying for enhancement is called Core expenditure and includes expenditure incurred on:

- ✓ planning and preparing the exhibition

- ✓ de-installing and closing the exhibition (if the exhibition rums for less than 12 months).

For example: curator and research costs; exhibition instalment; exhibit loan costs; insurance and transportation costs and set up and equipment hire.

Non-qualifying or non-core expenditure include costs relating to:

- x marketing, financing or legal services
- x storage (except where there is a tour)
- x ordinary running costs of the museum
- x infrastructure costs not solely related to the new exhibition
- x purchase of exhibits.

How is MGETR calculated?

A Production Company can claim an additional deduction based on its enhanceable expenditure, at the lesser of: -

• 80% of total core expenditure

• the actual core expenditure incurred in the UK.

Where the additional deduction creates a loss, that loss to be surrendered to HMRC for a tax credit paid at the rate of 25%.

How is MGETR claimed?

MGETR is claimed through the Company Tax system which means that claim must be made in a Company Tax Return or an amendment to a Company Tax Return.

Claims must include computations in respect of all income received, as well as core and non-core expenditure.

Further guidance can be found at:

Original legislation: http://www.legislation.gov.uk/ukpga/2017/32/schedule/6/enacted

HMRC's TTR manual: https://www.gov.uk/government/publications/museums-and-galleries-tax-relief

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Useful contacts:

HMRC's Creative Industries Unit: creative.industries@hmrc.gsi.gov.uk

Creative Tax Reliefs: info@creativetaxreliefs.com

A simple example to demonstrate the benefit of claiming MGETR

	Without MGETR		With MGETR
Total Exhibition Income	£50,000		£50,000
Total Exhibition Expenditure	£50,000		£50,000
Profit / (Loss)	Nil		Nil
Additional Deduction (the lower of) - 80% of total core, or - 100% of total EEA core			£20,000
Deemed Loss for tax credit purposes			£20,000
Surrendered for payable tax credit			£20,000
Tax credit for a non-touring exhibition	@ 20%	=	**£4,000**
Tax credit for a touring exhibition	@ 25%	=	**£5,000**

The company will then surrender the £20,000 'loss' to HMRC in return for a payable tax credit.

If the exhibition is a non-touring exhibition, the payable tax credit is paid at a rate of 20% meaning that the company will receive a payment of £4,000 from HMRC.

If the exhibition is a touring exhibition, the payable tax credit is paid at a rate of 25% meaning that the company will receive a payment of £5,000 from HMRC.

The maximum repayable credit is restricted to £100,000 for a touring exhibition and £80,000 for a non-touring exhibition.

The new rates of relief:

In the Autumn 2021 budget it was announced that the rates of relief for MGETR will be increased temporarily. For museums, galleries and exhibitions the standard rate is 20% for non-touring exhibitions and 25% for touring exhibitions. This will increase to 45% for non-touring and 50% for touring productions from 27 October 2021 until April 2023. From April 2023 the rates will be 30% for non-touring productions and 35% for touring; before returning to the standard rates in April 2024.

To qualify for the higher rates of relief the production phase must have started on or after 27 October 2021. There is further guidance from HMRC about when production activity starts on our blog. Production Phase - HMRC guidance

The author

Creative Tax Reliefs Limited was started in 2017 by Graham Suggett, former Lead Tax Specialist with HMRC'S Creative Industries Unit and a specialist in Museums and Galleries Exhibition Tax Relief.

If you would like specialist support with the process of claiming Museums and Galleries Exhibition Tax Relief, have questions regarding the legislation or perhaps have encountered issues with your current claim then please do get in touch. Graham can be contacted via the following:

Email: graham.suggett@creativetaxreliefs.com
Telephone: 01204-528575 / 07900 028528
Company website: www.creativetaxreliefs.com

Testimonials

"I am so pleased and relieved that Graham got in touch with me about Theatre Tax Relief. So far, Graham has claimed nearly £100,000 in tax credit for us. This is not only an enormous benefit and can be ploughed back into the work that we do but it would have been extremely short-sighted of us not to be claiming the money that is due to us. Graham has made the whole process so simple and easy. I cannot recommend him highly enough". **Sarah Gobran, Co-Founder & Producer of The Guildford Shakespeare Company**

"Our accountant struggled with VGTR so we engaged Graham and his company. Graham prepared all the necessary computations and submitted the claim on our behalf. This was paid by HMRC without question and in an amount in excess of what we had previously expected. We are delighted and cannot recommend Graham or his company highly enough". **Ashley Stancill, Director at HyperSloth Games**

"It was a pleasure working with Graham on our claim for Film Tax Credit for 'Stuffed'. For independent creators working in Film and TV, the Tax Credit is a vital part of making your film a reality. Graham is an assured and calm voice in the often-intimidating world of tax. I'd highly recommend Graham to my colleagues working in Film and TV". **Carys Lewis, writer and director of the 2019 BAFTA Cymru Nominee short film Stuffed**

"I found Graham and Creative Tax Reliefs through a Google search as we had a client that was eligible for Theatre Tax Relief (TTR). I and a colleague had read through HMRC's guidance a number of times and felt confident that we understood how it worked, however, we had no experience in claiming TTR. It seemed a no-brainer to work with Graham because Graham, as a former Creative Tax Reliefs specialist with HMRC, knew how to prepare and present claims to HMRC, would be certain of the calculations, knew where the boundaries were and would achieve maximum benefit for the client. We prepared the accounts and submitted the CT600 as per usual with input from Graham whilst he liaised directly with HMRC's Creative Industries Unit in respect

of the client's TTR claim. The client received their tax credit without issue and in an amount greater than expected. Our client was delighted as were we and we look forward to working with Graham going forward".
Ian Bragger, Partner at Harris & Co